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CONWEST

Exploration Company Limited

TWENTY-SEVENTH ANNUAL REPORT

*December 31—*1965

Twenty-seventh Annual Report

of

C O N W E S T

EXPLORATION COMPANY LIMITED

OFFICERS

F. M. CONNELL, O.B.E.	- - - - -	Chairman
C. R. ELLIOTT	- - - - -	President and Treasurer
W. H. CONNELL	- - - - -	Vice-President
J. M. CONNELL	- - - - -	Vice-President
J. D. CHRISTIAN, C.B.E.	- - - - -	Executive Vice-President
C. S. M. MORTIMER, Q.C.	- - - - -	Secretary
J. R. SCRIMGER	- - - - -	Assistant Secretary
M. P. CONNELL	- - - - -	Assistant Treasurer

DIRECTORS

F. M. CONNELL, O.B.E.	- - - - -	Toronto, Ontario
W. H. CONNELL	- - - - -	Spencerville, Ontario
J. M. CONNELL	- - - - -	Toronto, Ontario
E. B. CONNELL	- - - - -	Spencerville, Ontario
J. D. CHRISTIAN, C.B.E.	- - - - -	Toronto, Ontario
K. A. CREERY	- - - - -	Montreal, Quebec
C. R. ELLIOTT	- - - - -	Toronto, Ontario
S. E. JAMIESON	- - - - -	Toronto, Ontario
C. S. M. MORTIMER, Q.C.	- - - - -	Toronto, Ontario

TRANSFER AGENTS AND REGISTRARS

MONTREAL TRUST COMPANY	- - - - -	Toronto, Ontario
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BANKERS

THE ROYAL BANK OF CANADA

AUDITORS

CLARKSON, GORDON & CO.	- - - - -	Toronto, Ontario
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SOLICITORS

THOMSON ROGERS	- - - - -	Toronto, Ontario
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ADMINISTRATIVE OFFICE

SUITE 1001, 85 RICHMOND STREET WEST	- - - - -	Toronto, Ontario
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FIELD OFFICES

SUITE 901, ROYAL BANK BLDG.	- - - - -	Vancouver, B.C.
		Whitehorse, Y.T.
		Timmins, Ontario

ANNUAL MEETING

10:00 A.M., APRIL 29, 1966	- - - - -	The Windsor Hotel
		Montreal, Quebec

Conwest Exploration Company Limited

Report of the Directors

To the Shareholders,
Conwest Exploration Company Limited.

Your directors submit for your information the balance sheet as at December 31, 1965, and the related statements of income and earned surplus for the year ended on that date together with your Auditors' Report thereon.

The annual report of Cassiar Asbestos Corporation Limited is appended for your information.

CASSIAR ASBESTOS CORPORATION LIMITED

Your company holds 653,381 shares of Cassiar Asbestos Corporation Limited.

During the year Cassiar earned \$8,498,620 before deducting provision for stripping costs, depreciation, amortization and other write-offs, aggregating \$2,430,148 and taxes payable for the year of \$1,310,000. The profit of \$4,758,472 has been reduced by the amount of the current year's tax reduction applicable to future years of \$1,070,000 leaving the balance of the net income for the year of \$3,688,472 or 77¢ per share.

Dividends received from Cassiar during the year provided your company with an income of \$391,891.

Your attention is drawn to the report on the Clinton Mine where, during the year, the diamond drilling programme made substantial additions to previously reported ore reserves. Plant construction will commence in 1966 with initial production scheduled for early 1968.

BASIN OIL EXPLORATION LIMITED

Your company holds 681,086 shares of Basin Oil Exploration Limited or 62% of the outstanding capital stock of the company. During the year, Basin sold its interest in petroleum and natural gas leases in Alberta and British Columbia. The company's assets at December 31, 1965 comprising cash, short term securities and shares of listed oil companies, had a value of \$850,000. The profit for the year of \$253,684 included the net gain realized on the sale of investments and petroleum and natural gas interests aggregating \$233,110.

CHANCE MINING AND EXPLORATION COMPANY LIMITED

Chance Mining and Exploration has issued and outstanding 2,200,000 shares of capital stock of which your company holds 1,007,151 shares. The company has conducted an active exploration programme on its holdings in the Timmins area including diamond drilling of geophysical anomalies without disclosing anything of economic importance to date. Further acquisitions of mining claims in the area were made by staking and option. Geophysical surveys and diamond drilling are planned to investigate the new holdings and to follow up previous work on other claims held.

At the year end, Chance held cash and short term investments in the amount of \$136,000.

CONWEST EXPLORATION (OVERSEAS) LIMITED

During the year, your company incorporated Conwest Exploration (Overseas) Limited as a private company with an authorized capital of 2,500,000 shares without nominal or par value. There have been

issued 350,000 shares of which your company holds 190,000 shares. Conwest (Overseas) raised \$250,000 during the year through the issue of capital stock and had unexpended funds on hand at December 31, 1965 of \$162,000. Exploration is carried on in Australia through the wholly owned subsidiary, Conwest (Australia) N.L., under the management of Mr. J. M. Powelson. Since the start of operations, more than one hundred prospects were considered and the more attractive properties were examined. At the year end, several prospects which warranted further investigation, were held under option or license to prospect. It will be the policy of Conwest (Overseas) to maintain a small but active staff in Australia looking for promising mining prospects. Financing will be provided as required, your company being responsible for 44%.

VOL MINES LIMITED (N'KANA CLAIMS)

Mining by Consolidated Mining and Smelting Company was commenced on Vol Mines Limited property where a short ore shoot has been developed on the 2900 foot level, from the underground workings of the Con and Rycon Mines. When access is available from the adjoining workings, further exploration is planned at a lower horizon.

JERSEY CONSOLIDATED MINES LIMITED

As previously reported, work carried out on the Jersey Consolidated Mines Limited property on Galena Hill, Yukon Territory, did not justify undertaking underground exploration and work was suspended. During the year, your company disposed of its interest in Jersey.

PYRAMID MINING COMPANY LIMITED

Your company and the Newconex group participated in an agreement with Pyramid Mining Company Limited to provide funds for exploration and development of its property consisting of a large group of mining claims adjoining the southeast boundary of Pine Point Mines Limited property. Your company's 40% participation in the agreement with Pyramid is summarized as follows:

Initial Subscription	40,000 shares @ \$2.50 each
Options to purchase shares	
on or before March 31, 1966	40,000 shares @ \$3.00 each
" " " June 30, 1966	40,000 shares @ \$3.75 each
" " " September 30, 1966	40,000 shares @ \$4.50 each
" " " December 31, 1966	40,000 shares @ \$5.50 each
" " " March 31, 1967	40,000 shares @ \$6.50 each

At the year end, your company held 40,000 shares of Pyramid and since that date has exercised the first option to increase its holdings to 80,000 shares. Your company has the right to participate in further financing. Exploration consisting of geophysical surveys followed by diamond drilling is in progress and at the year end had indicated two lead-zinc orebodies with substantial tonnages of ore.

CROYDON MINES LIMITED

Subsequent to the year end, your company and the Newconex group made an agreement with Croydon Mines Limited to provide funds for the exploration of that company's Pine Point claims, where a geophysical survey is planned. Your company's 40% participation is summarized as follows:

Initial Subscription	40,000 shares @ \$1.50 each
Options to purchase shares	
on or before July 31, 1966	40,000 shares @ \$1.75 each
" " " October 31, 1966	40,000 shares @ \$2.00 each
" " " January 31, 1967	40,000 shares @ \$2.25 each
" " " April 30, 1967	40,000 shares @ \$2.50 each
" " " July 31, 1967	40,000 shares @ \$2.75 each
" " " October 31, 1967	200,000 shares @ \$4.00 each

Your company now holds 40,000 shares of Croydon Mines Limited. Under the terms of the agreement, the company has the right to participate in further financing.

GENERAL EXPLORATION

Pursuant to a working agreement, Central Patricia Gold Mines Limited maintains a 20% participation in the mining exploration activities of your company.

Pine Point, N.W.T.

As previously reported, your company holds more than 700 mineral claims in the Pine Point, N.W.T. area. Pursuant to the terms of an agreement concluded during the year, Newconex Canadian Exploration Limited is participating to the extent of 50% in the exploration of those mineral claims. Geophysical surveys on approximately three-quarters of the area have been done and 1,800 feet of diamond drilling in four holes on two anomalies west of the Buffalo River was completed. The work will continue in the Spring and will include further drilling to test several geophysical anomalies.

An option to purchase 56 mining claims in the area held by Buttle Lake Mining Company Limited and Trojan Consolidated Mines Limited, was obtained on behalf of the company and Newconex. Work on the claims is planned for the current year.

British Columbia

In the Stikine area of northwestern British Columbia, an extensive exploration programme including prospecting, reconnaissance geophysical surveys, trenching and diamond drilling, was carried out. Several mineral occurrences were found, some of which warrant further work when circumstances permit.

A group of mineral claims that adjoin a molybdenite showing at Alice Arm was optioned and will be investigated for the possible extension of the occurrence.

Yukon Territory

In the Yukon, an antimony prospect northeast of Dawson was optioned and will be investigated during 1966. In the Hart River area northwest of Mayo, diamond drilling is planned to evaluate a copper discovery on a group of mineral claims held by the company.

Manitoba

Diamond drilling continued in the Thompson-Mystery Lake area of Manitoba and geophysical surveys were done in the Wabowden area. The work is continuing and diamond drilling is planned.

Quebec

A group of claims northwest of Chibougamau optioned to the company was drilled. A geophysical survey was done on a group of claims held in the vicinity of Gaspé Mines, Gaspé, P.Q. Pursuant to an agreement with your company, Newmont Mining Corporation carried out deep drilling on a group of claims held by your company in Lemieux Township. Elsewhere in the Gaspé Park area, some geochemical studies were performed. Further work is planned.

An active exploration staff is continuing the search for mining properties of merit.

On behalf of the Board,

F. M. CONNELL,
Chairman.

C. R. ELLIOTT,
President.

Toronto, Ontario,
March 9, 1966.

Conwest Exploration

(Incorporated under the laws of the State of Nevada)

Balance Sheet —

(with comparative figures for 1964)

ASSETS

	<u>1965</u>	<u>1964</u>
Current:		
Cash	\$ 680,133	\$ 693,706
Short-term investments at cost plus accrued interest (approximately market)	2,915,399	1,665,489
Dividends and interest receivable	118,526	117,803
Accounts receivable	65,399	39,076
Advances for working funds	9,117	8,666
Prepaid expenses	12,705	12,724
Total current assets	<u>3,801,279</u>	<u>2,537,464</u>
Agreement for sale and mortgages receivable	<u>319,180</u>	<u>397,545</u>
Interest in mining properties and companies at cost less amounts written off (notes 1 and 3):		
Shares in and advances to mining and exploration companies (including shares with a book value of \$4,298,676 (\$4,751,274 in 1964) having a quoted market value of \$12,906,424 (\$11,225,807 in 1964)	<u>4,441,529</u>	<u>4,848,239</u>
Subsidiary companies (note 2) —		
Shares	1,813,508	2,327,103
Advances	386,400	302,528
	<u>2,199,908</u>	<u>2,629,631</u>
Less provision for losses	240,517	345,436
	<u>1,959,391</u>	<u>2,284,195</u>
Mining claims and expenditures thereon	<u>964,151</u>	<u>844,842</u>
Total interest in mining properties and companies	<u>7,365,071</u>	<u>7,977,276</u>
Prospecting equipment and other fixed assets at cost less accumulated depreciation of \$107,842 (\$154,649 in 1964)	<u>12,706</u>	<u>63,002</u>
	<u><u>\$11,498,236</u></u>	<u><u>\$10,975,287</u></u>

Company Limited

(In accordance with the laws of Canada)

December 31, 1965

(For the year 1964)

LIABILITIES

	<u>1965</u>	<u>1964</u>
Current:		
Accounts payable and accrued charges	\$ 62,154	\$ 17,185
Dividend payable (January 26, 1966)	150,000	150,000
Total current liabilities	<u>212,154</u>	<u>167,185</u>
Capital and surplus:		
Capital —		
Authorized:		
3,000,000 shares of no par value		
Issued:		
2,500,000 shares	1,284,998	1,284,998
Earned surplus	10,001,084	9,523,104
	<u>11,286,082</u>	<u>10,808,102</u>
 On behalf of the Board:		
 C. R. ELLIOTT, Director.		
 J. D. CHRISTIAN, Director.		
	<u><u>\$11,498,236</u></u>	<u><u>\$10,975,287</u></u>

Conwest Exploration Company Limited

STATEMENT OF INCOME AND EARNED SURPLUS

For the year ended December 31, 1965

(with comparative figures for the year 1964)

	1965	1964
Net income for the year:		
Income —		
Dividends	\$ 495,389	\$ 486,848
Interest	133,923	94,750
Gain on sale of bonds	3,560	4,743
Gain on sale of fixed assets		11,231
Rental of equipment and property	3,486	14,002
	<u>636,358</u>	<u>611,574</u>
Expense —		
General exploration (note 1)	99,203	85,120
General and administrative	109,151	80,414
Remuneration of directors, including those holding salaried employment	44,033	42,057
Depreciation	565	22,079
	<u>252,952</u>	<u>229,680</u>
Less portion of expenditures recovered from other companies	50,190	42,776
	<u>202,762</u>	<u>186,904</u>
Net income for the year	433,596	424,670
Excess of net gain realized on disposal of interest in mining properties and companies over exploration write-offs and provision for losses of subsidiary companies (note 1)	344,384	572,023
Earned surplus at beginning of year	9,523,104	8,826,411
	<u>10,301,084</u>	<u>9,823,104</u>
Dividends totalling 12¢ per share	300,000	300,000
Earned surplus at end of year	<u>\$10,001,084</u>	<u>\$9,523,104</u>

Conwest Exploration Company Limited

NOTES TO THE FINANCIAL STATEMENTS, DECEMBER 31, 1965

1. Accounting policy

The company's policy is to write off all general exploration expenditures incurred during the year, including all overhead costs, and to capitalize the direct cost of acquisition and expenditure thereon of interests in mining properties and companies which were in good standing at the year end. Upon disposal or abandonment of such interests the net gain or loss is reflected in the statement of earned surplus.

2. Subsidiaries

In accordance with Section 121 of The Canada Corporation Act the following are the details relating to unconsolidated subsidiary companies:

- (a) The subsidiary companies' financial statements have not been consolidated because, in the opinion of management, such consolidation would be inappropriate. The assets of the subsidiary companies include cash and investments at market value less accounts payable aggregating \$1,082,855 in which the company's equity is \$661,552. The balance of the company's investment in subsidiary companies is represented by mining claims, properties, expenditures thereon and other deferred amounts, the value of which can only be determined through operation, sale or abandonment.
- (b) The company's proportion of the aggregate profits (including special items) less losses of subsidiaries for the respective financial periods coinciding with or ending in the financial period of the company totalled \$156,789. This amount was applied against a provision of \$687,638, made to write down the carrying value of the shares of one subsidiary, which sold its operating assets during the year. The difference of \$530,849 has been deducted in the statement of income and earned surplus as a provision for loss of subsidiary companies.
- (c) The aggregate of the losses less profits of the subsidiaries since their acquisition in addition to amounts written off the investment therein, is \$240,517 and has been provided for in the accounts of the company.

3. Interest in mining companies

The company has an option to subscribe for shares of Pyramid Mining Co. Limited as follows:

40,000 shares @ \$3.00 per share before March 31, 1966
40,000 shares @ \$3.75 per share before June 30, 1966
40,000 shares @ \$4.50 per share before September 30, 1966
40,000 shares @ \$5.50 per share before December 31, 1966
40,000 shares @ \$6.50 per share before March 31, 1967.

Clarkson, Gordon & Co.

Chartered Accountants

15 Wellington Street West, Toronto 1, Canada

Halifax Quebec Montreal Ottawa
Toronto Hamilton Kitchener London Windsor
Winnipeg Regina Calgary Edmonton Vancouver

Arthur Young, Clarkson, Gordon & Co.
United States—Brazil

Telephone 368-2751 (Area Code 416)

AUDITORS' REPORT

To the Shareholders of
Conwest Exploration Company Limited:

We have examined the balance sheet of Conwest Exploration Company Limited as at December 31, 1965 and the statement of income and earned surplus for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and statement of income and earned surplus present fairly the financial position of the company at December 31, 1965 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
March 8, 1966.

Clarkson, Gordon & Co.

Chartered Accountants

Conwest Exploration Company Limited

Management and Exploration Personnel

GENERAL OFFICERS:

Chairman of the Board	-	-	-	-	-	-	F. M. CONNELL, O.B.E., LL.D.
President and Treasurer	-	-	-	-	-	-	C. R. ELLIOTT, C.A.
Executive Vice-President and Consulting Engineer	-	-	-	-	-	-	J. D. CHRISTIAN, C.B.E., B.A.Sc.
Vice-President	-	-	-	-	-	-	W. HAROLD CONNELL
Vice-President and Assistant to President	-	-	-	-	-	-	J. M. CONNELL
Secretary	-	-	-	-	-	-	C. S. M. MORTIMER, Q.C.
Assistant Secretary	-	-	-	-	-	-	J. R. SCRIMGER
Assistant Treasurer	-	-	-	-	-	-	M. P. CONNELL

EXPLORATION AND DEVELOPMENT DIVISION:

Manager	-	-	-	-	-	-	T. L. HORSLEY, B.A.Sc.
Western Manager	-	-	-	-	-	-	P. O. HACHEY, M.Sc.
Assistant to the Manager	-	-	-	-	-	-	K. G. MILLER
Geologist	-	-	-	-	-	-	G. W. GRANT
Whitehorse Office, Yukon Territory	-	-	-	-	-	-	A. F. BERRY
Mineral Claims Secretary	-	-	-	-	-	-	J. CALDWELL
Accountant	-	-	-	-	-	-	J. F. HATCHER

OPERATING DIVISION:

CASSIAR ASBESTOS CORPORATION LIMITED

GENERAL OFFICERS:

Chairman of the Board	-	-	-	-	-	-	F. M. CONNELL, O.B.E., LL.D.
President and General Manager	-	-	-	-	-	-	J. D. CHRISTIAN, C.B.E., B.A.Sc.
Vice-President and Secretary-Treasurer	-	-	-	-	-	-	C. R. ELLIOTT, C.A.
Manager of Operations	-	-	-	-	-	-	J. G. BERRY, B.Sc.
Consulting Engineer	-	-	-	-	-	-	T. T. TIGERT, B.A.Sc.
Assistant Secretary	-	-	-	-	-	-	J. R. SCRIMGER
Assistant Treasurer	-	-	-	-	-	-	M. G. MAZURKEWICH

CASSIAR MINE, Cassiar, B.C.

General Superintendent	-	-	-	-	-	-	A. C. BEGUIN, B.A.Sc.
Assistant to Manager of Operations	-	-	-	-	-	-	A. C. CARON
Mine — Superintendent	-	-	-	-	-	-	J. R. MURDOCH, B.Sc.
Equipment Superintendent	-	-	-	-	-	-	G. EDWARDS
Mill — Superintendent	-	-	-	-	-	-	D. C. COOK, B.Sc.
Assistant Superintendent	-	-	-	-	-	-	B. H. DONNER
Plant — Superintendent	-	-	-	-	-	-	C. E. BRONSON, B.Sc.
Mechanical Superintendent	-	-	-	-	-	-	R. PASIAUD
Electrical Superintendent	-	-	-	-	-	-	A. POWELL
Surface Superintendent	-	-	-	-	-	-	G. KAMLAH
Chief Engineer	-	-	-	-	-	-	G. TROWSDALE, B.A.Sc.
Chief Geologist	-	-	-	-	-	-	W. N. PLUMB, B.A.Sc.
Office and Warehouse —	-	-	-	-	-	-	
Mine Accountant	-	-	-	-	-	-	J. H. THORNICROFT
Purchasing	-	-	-	-	-	-	R. R. STEVENS

CLINTON MINE, Yukon Territory

General Superintendent	-	-	-	-	-	-	F. P. HODGSON, B.Sc.
Mine Superintendent	-	-	-	-	-	-	H. A. WOODY

TRANSPORT DIVISION, Whitehorse, Y.T.

General Superintendent	-	-	-	-	-	-	E. K. McARTHUR
Operations and Maintenance Superintendent	-	-	-	-	-	-	W. G. WHITEHOUSE
Accountant	-	-	-	-	-	-	K. J. MULLOY

ASBESTOS WHARF, North Vancouver, B.C.

Office Manager	-	-	-	-	-	-	J. T. WARD
Superintendent — Asbestos Wharf	-	-	-	-	-	-	S. M. MANNING, P.Eng
Purchasing Agent	-	-	-	-	-	-	K. B. SCRIMGER

Cassiar Asbestos Corporation Limited

Report of the Directors

To the Shareholders,
CASSIAR ASBESTOS CORPORATION LIMITED:

Your directors submit herewith the fourteenth annual report on the affairs of your company including the balance sheet as at December 31, 1965, the statement of operations and earned surplus for the year ended on that date and your Auditors' Report thereon.

FINANCIAL

Pursuant to the authority granted by the shareholders at the last annual meeting, Supplementary Letters Patent were obtained to increase the authorized capital of the company to 5,000,000 shares without nominal or par value. In accordance with the arrangements previously reported to you, the company during 1965, issued 815,000 shares of its capital stock for a total consideration of \$9,740,000 of which \$9,300,000 was designated for the development of the Clinton property and \$440,000 has been used for the construction of a wharf in North Vancouver.

The profit from operations was \$8,498,620 before providing for depreciation, stripping and other write-offs aggregating \$2,430,148, and the current year's income taxes of \$1,310,000. Of the remaining \$4,758,472 there was transferred to accumulated tax reductions applicable to future years \$1,070,000, leaving a net profit of \$3,688,472.

During the year there was expended upon land, plant, equipment, and roads \$1,890,493, Asbestos Wharf facilities in North Vancouver \$991,594, stripping at Cassiar \$2,715,778, exploration and development at Clinton Creek \$737,708 and \$21,656 on outside exploration. Of these amounts \$1,575,187 was charged to funds provided by the issue of capital stock. The balance of the expenditure in the amount of \$4,770,335 and dividends of \$2,748,750 were provided from operations resulting in a reduction in working capital of \$224,795.

It is the intention of your directors in the future to supplement the annual report by issuing an unaudited semi-annual report of operations for the information of shareholders.

SALES

Both the volume and value of sales in 1965 were higher than in 1964. The market for spinning fibres was steady and continues to strengthen. The asbestos-cement industry is expanding rapidly as predicted in the last annual report, and the increase in sales during 1965 was largely in these grades. The outlook for 1966 is for continued growth and your mine at Cassiar will be operating at peak capacity of approximately 90,000 tons of fibre until the Clinton mine comes into production in 1968. At that time it is proposed to operate the Cassiar mine at its most efficient level and to meet increased market requirements from the Clinton mine.

RESEARCH

Research into the treatment and the use of asbestos fibres is continuing and expanding. Several customers are participating in joint projects and a considerable amount of new interest is developing as a result of this research work.

MINE

During 1965, the mine produced 743,765 tons of ore of which 579,604 tons were treated in the rock rejection circuit to eliminate 170,375 tons of rock. The resulting 409,229 tons of concentrate and 164,161 tons of untreated ore were delivered to the mill, 498,381 tons by

tramline and 75,009 tons by truck. The installation of the secondary crusher and dryer in the rock rejection circuit increased its capacity by two-thirds and reduced the tailings loss by one-third.

On October 25, 1965, a major rock slide occurred below a waste dump to the south of the mine. More than six million tons of rock and soil swept down the side of the mountain, covering the main access road with forty feet of debris. The slide destroyed one tramline tower, twenty buckets and a portion of the power line and tramline cables. Access to the mine by road was restored and ore trucking was commenced within 24 hours. The tramline was inoperative until December 10, 1965. The mill continued to operate without interruption with ore delivered by trucks and from the dry rock storage and the ore stockpiles at the mill. The reserve stockpiles will be restored to normal levels during 1966.

Stripping operations removed from the pit and peak 4,542,457 tons of waste at the total cost of \$2,715,778 or 60¢ per ton.

MILLING

The mill treated 613,404 tons of ore and concentrate at an average rate of 1,680 tons per calendar day and produced 85,432 tons of fibre. Some additional equipment was added to the mill to handle the increased production.

ASBESTOS WHARF — VANCOUVER HARBOUR

The new dock, warehouse and foreshore improvements, shown in the photograph included in this report, were completed and put into service in October 1965 at a cost of \$991,594. At the same time, the White Pass and Yukon Route commissioned their new 6,000-ton container-tanker vessel, the "M.V. Frank H. Brown". An agreement between the company and the White Pass and Yukon Route covering the use of Asbestos Wharf and the shipment of Cassiar's products was concluded. The facilities now available will provide a highly efficient warehousing and shipping operation and will have sufficient capacity to handle the additional fibre that will be forthcoming from the Clinton mine.

LABOUR

A shortage of both skilled and unskilled labour developed during the year. Overtime hours increased from 10.3% in 1964 to 21.6% in 1965. The turnover increased from 125% to 175%.

A two-year labour contract, effective December 1, 1965, has been signed with Local 6536 of the United Steelworkers of America, which granted substantial wage increases and improved benefits.

CLINTON MINE

During the year, additional higher grade ore at lower horizons on the hanging wall side of the orebody was indicated by detailed diamond drilling in the area in which the previously reported 12,300,000 tons of ore is located. The open pit, as presently outlined to a depth of 200 feet below the adit level, contains 14,545,000 tons of ore having an estimated value of \$14.12 per ton and a waste to ore ratio of 3.3/1.

To the west of this area between hole CS-8 and CW-1 (see map in 1964 annual report), two more cross sections at 400 foot intervals were drilled, and indicated a further 9,529,000 tons of ore having a value of \$12.40 with a waste to ore ratio of 6.54/1. Further drilling to outline and evaluate the ore in this extension will be carried out during 1966.

Topographical mapping of the working areas was completed during the summer. The sites for the plant and townsite were selected and the clearing and road construction were well advanced. Building construction will commence early in April 1966, with completion scheduled early in 1968. In the meantime, the construction camp required to accommodate 400 men is being erected.

The basic plant, crushers, tramline, mill buildings and shops have been designed for an annual fibre production of 80,000 tons, but the installation of power and milling equipment will be limited to the requirements of 40,000 tons of fibre until further expansion is warranted. Current forecasts of the fibre market suggest that the 80,000-ton capacity should be reached by 1970.

By agreement with the Department of Northern Affairs and National Resources, your company undertook the construction of 26 miles of new road and a bridge over the Fortymile river to provide access to the mine from the Sixtymile road. The estimated cost of the work is \$1,100,000, of which the Government of Canada will pay two-thirds and your company one-third. During the year under review, the road was 60% completed and at year end, the bridge was under construction and scheduled for completion early in April 1966, prior to spring break-up. The Department of Northern Affairs and National Resources has undertaken the expenditure of \$1,700,000 on improvements and necessary relocations of thirty seven miles of the Sixtymile road between Dawson and the mine access road, and on improved ferry facilities at Dawson.

The Federal Government has deferred a decision on the construction of a bridge across the Yukon at Dawson, and it will therefore be necessary to rely on ferry and ice bridge crossings. Consideration is being given to the erection of a skyline over the river capable of carrying twelve-ton loads, to permit the movement of fibre and freight during the sixteen-week freeze-up and break-up periods, when the other means of crossing are not available.

The total estimated cost to bring the Clinton mine to production is \$18,000,000. During the year, \$9,300,000 was provided from the issue of 775,000 shares, and it is anticipated that during the next two years a further \$4,000,000 will become available from operations. The most advantageous means of providing additional funds is being considered.

KUTCHO CREEK ASBESTOS COMPANY LIMITED

The Kutcho Creek property is located approximately sixty air-miles southeast of Cassiar. Preliminary work has indicated a large serpentine body bearing good quality chrysotile asbestos fibre. A geophysical survey and a preliminary drilling programme will be undertaken during 1966 to further explore the economic importance of the property.

ANDERSON OPTION

An option has been taken on a group of 96 mineral claims, one hundred miles southwest of Cassiar. The claims are reported to contain a showing of asbestos fibre.

ACKNOWLEDGEMENTS

The co-operation your company has received from the Department of Northern Affairs and National Resources and from the Yukon Territorial Government during the planning and initial phases of the Clinton Creek operation is gratefully acknowledged.

The staff and employees at the mine, in the Transport Division and at Vancouver are to be commended for an excellent production record in the face of many difficulties, including the rock slide and a work stoppage at Skagway on our main transportation route and for a notably low accident frequency.

On Behalf of the Board,

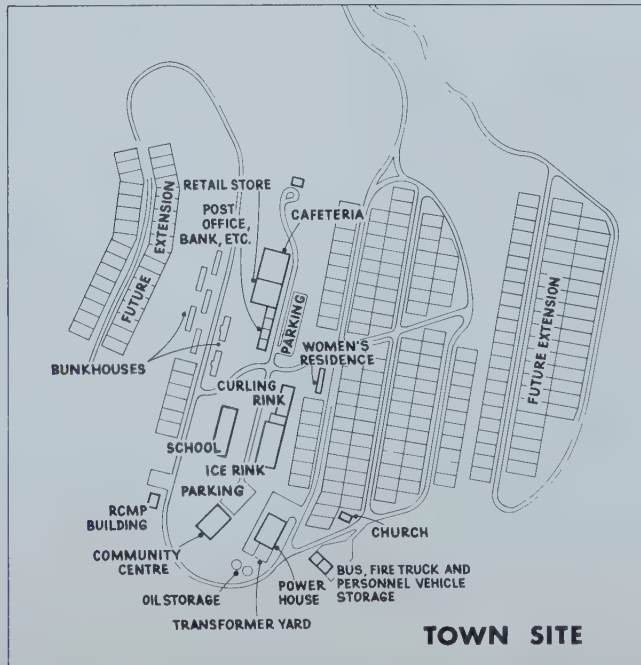
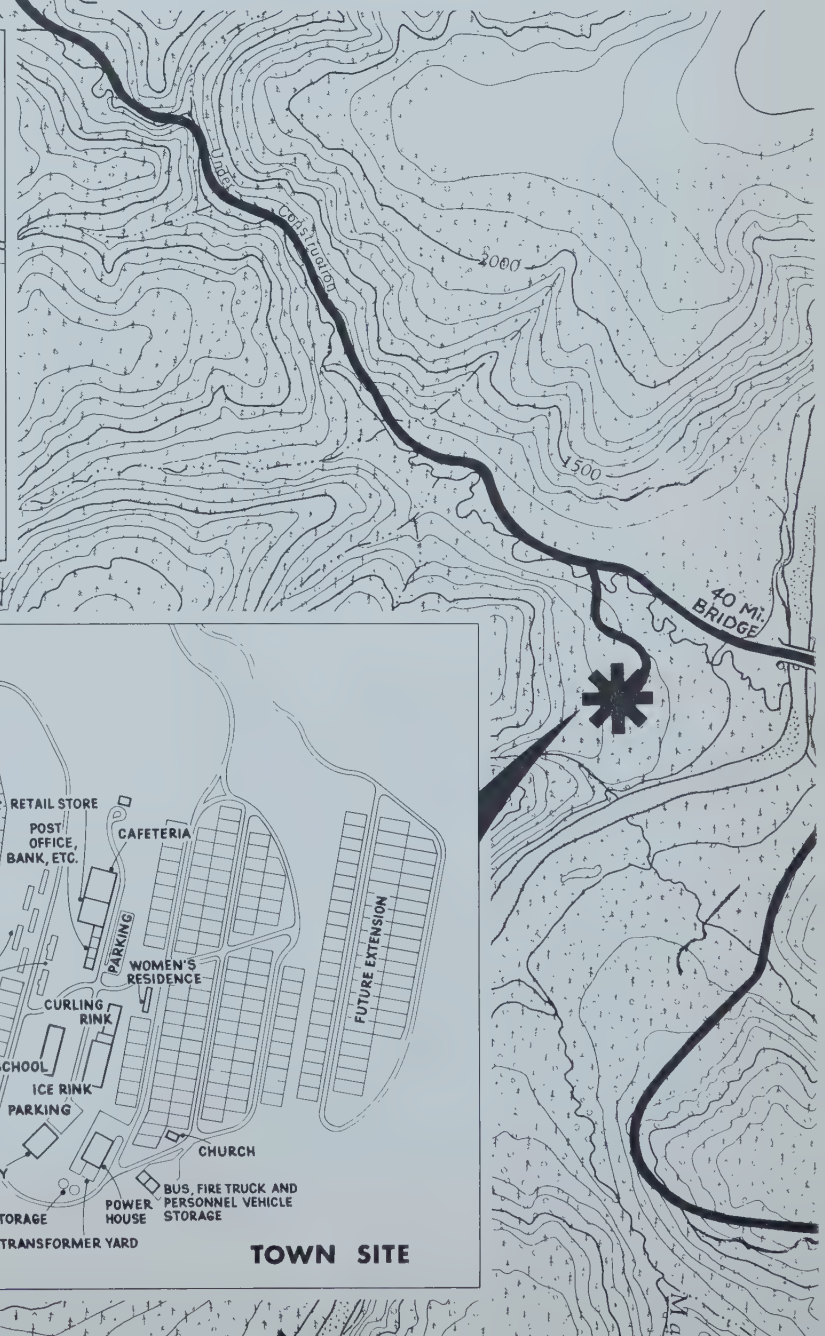
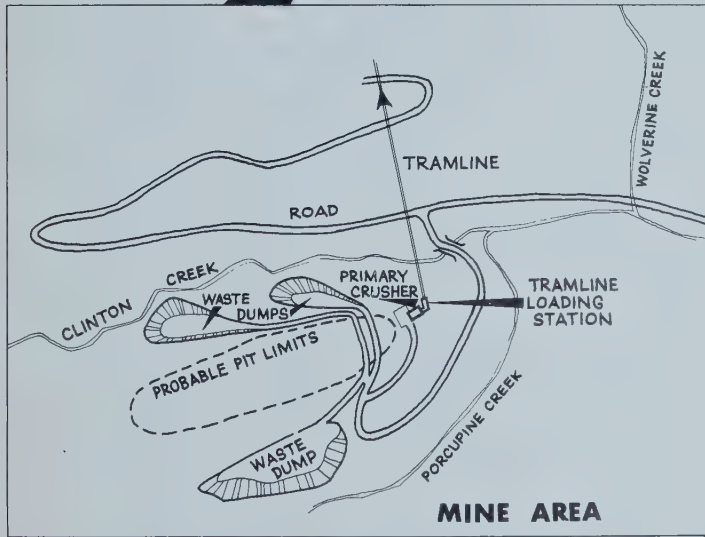
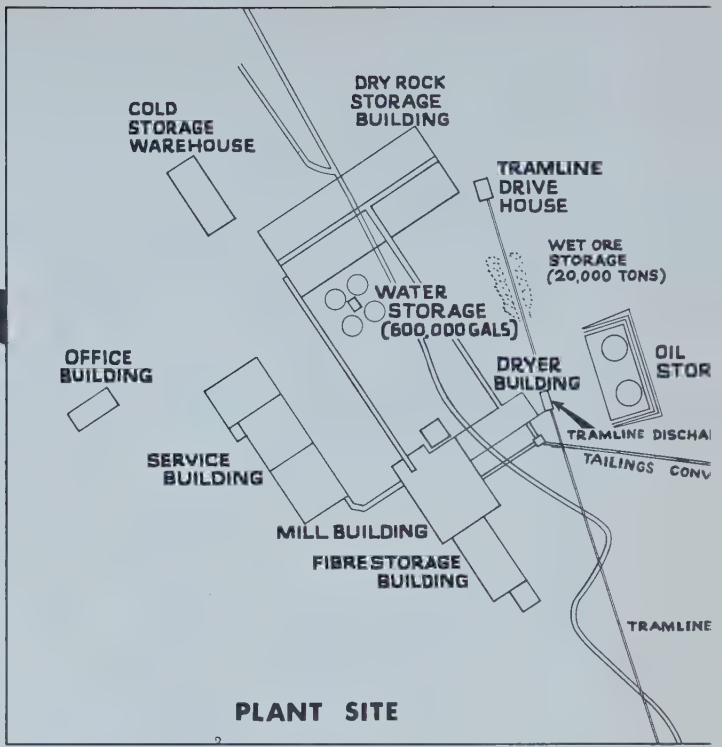
F. M. CONNELL,

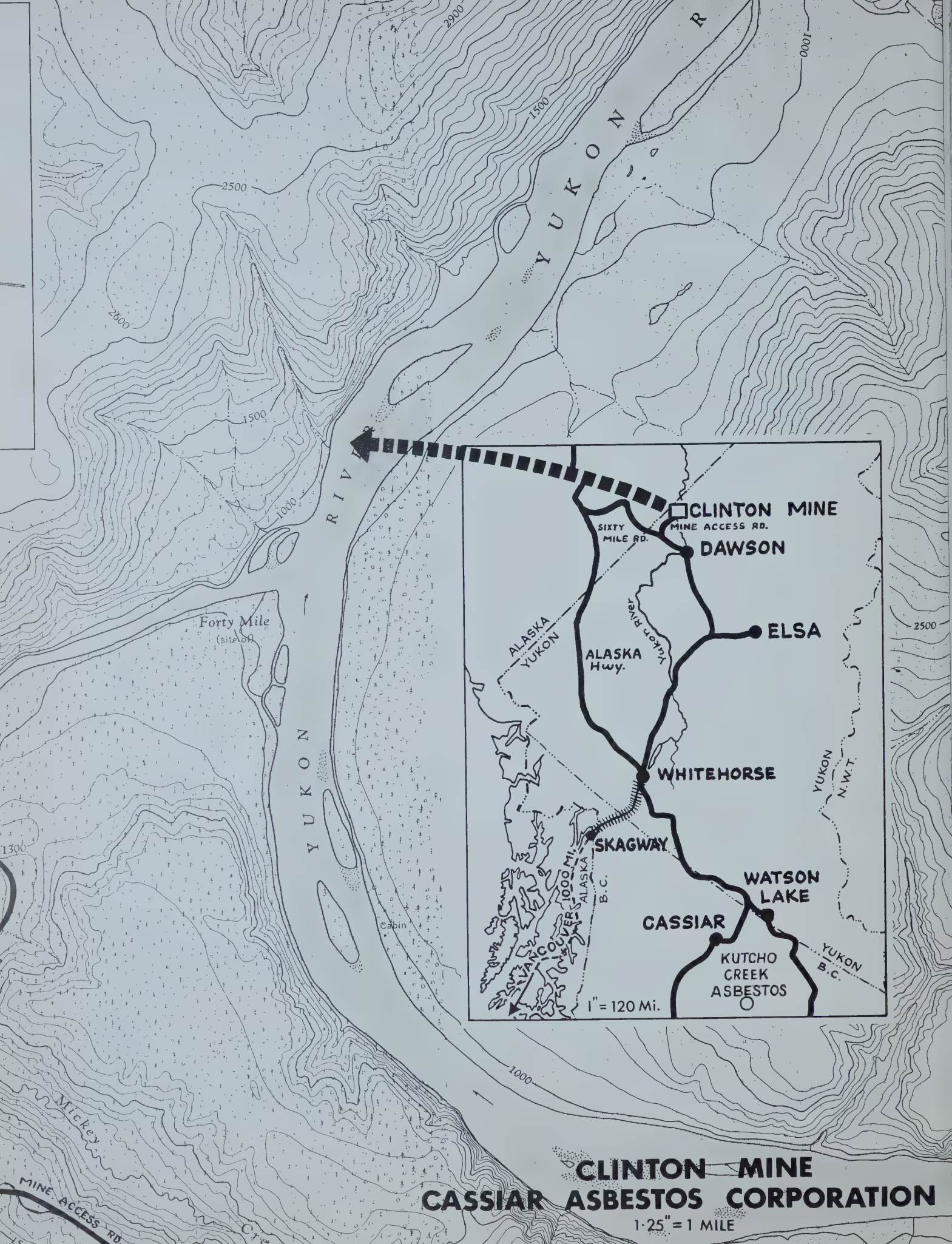
Chairman.

J. D. CHRISTIAN,

President.

Toronto, Canada,
March 8, 1966.





**CLINTON MINE
CASSIAR ASBESTOS CORPORATION**

1:25" = 1 MILE

Cassiar Asbestos Corporation Limited

and its subsidiary

STATEMENTS OF CONSOLIDATED OPERATIONS AND EARNED SURPLUS

For the year ended December 31, 1965

(with comparative figures for the year 1964)

OPERATIONS

	1965	1964
Sales of asbestos fibre	<u>\$17,526,197</u>	<u>\$14,466,691</u>
Profit on operations before deducting the following charges	<u>\$ 8,359,522</u>	<u>\$ 7,401,191</u>
Income from investments	<u>227,315</u>	<u>1,605</u>
	<u>8,586,837</u>	<u>7,402,796</u>
Expenses:		
Amortization of preproduction expenditures	34,415	58,782
Amortization of stripping costs	1,249,525	1,184,744
Depreciation	1,134,471	1,093,058
Remuneration of directors, including those holding salaried employment	67,967	54,050
Interest on purchase contract	20,250	12,000
Outside exploration expenditures written off	11,737	21,700
	<u>2,518,365</u>	<u>2,424,334</u>
	<u>6,068,472</u>	<u>4,978,462</u>
Provision for income taxes payable for current year	<u>1,310,000</u>	<u>1,185,000</u>
	<u>4,758,472</u>	<u>3,793,462</u>
Portion of earnings deferred equivalent to the reduction in taxes payable for the current year arising from claiming for tax purposes the maximum capital cost allowance, stripping costs and exploration and development expenditures permitted by the Income Tax Act which are in excess of the amounts charged above and which will apply to those future years when the amounts permitted for tax purposes will be less than the amounts recorded in the accounts	<u>1,070,000</u>	<u>765,000</u>
Net profit for the year	<u>\$ 3,688,472</u>	<u>\$ 3,028,462</u>

EARNED SURPLUS

Balance at beginning of year	\$ 9,141,117	\$ 8,488,655
Net profit for the year	3,688,472	3,028,462
	<u>12,829,589</u>	<u>11,517,117</u>
Dividends totalling 60¢ per share	2,748,750	2,376,000
Balance at end of year	<u>\$10,080,839</u>	<u>\$ 9,141,117</u>

CASSIAR ASBESTOS CO.

(Incorporated under the laws of the Province of British Columbia)

and its subsidiaries

Consolidated Balance Sheet

(with comparative figures for 1964)

ASSETS

	<u>1965</u>	<u>1964</u>
Current:		
Cash		\$ 273,855
Accounts receivable	\$ 2,314,742	1,380,849
Asbestos fibre at cost	2,886,140	2,823,652
Ore stockpiled at mill at cost	32,697	227,644
Inventory of supplies — valued at laid-down cost	1,400,380	1,039,569
Prepaid expenses	109,483	85,679
Total current assets	<u>6,743,442</u>	<u>5,831,248</u>
Investments at cost plus accrued interest (market value \$8,165,000) (note 2)	<u>8,164,813</u>	
Investment in Territorial Supply Company Limited:		
Shares (one-half the issued capital) at cost	25,000	25,000
Notes receivable	150,000	200,000
	<u>175,000</u>	<u>225,000</u>
Fixed and deferred (note 1):		
Mine plant and equipment at cost	12,720,158	12,203,401
Automotive equipment at cost	3,772,131	3,129,268
Asbestos Wharf — leasehold improvements, buildings and equipment at cost	1,435,903	495,120
Roads at cost	186,815	
	<u>18,115,007</u>	<u>15,827,789</u>
Less accumulated depreciation	8,116,570	7,434,592
	<u>9,998,437</u>	<u>8,393,197</u>
Mining claims and properties at cost	2,599,956	2,590,712
Exploration, development and other preproduction expenditures less amounts written off	1,170,730	466,763
Stripping costs less amounts written off	8,693,300	7,227,047
	<u>22,462,423</u>	<u>18,677,719</u>
	<u>\$37,545,678</u>	<u>\$24,733,967</u>

CORPORATION LIMITED

(In accordance with the laws of Canada)

subsidiary

Statement — December 31, 1965

(Statement for the year 1964)

LIABILITIES

	1965	1964
Current:		
Bank indebtedness (secured)	\$ 835,778	
Accounts payable and accrued charges	1,208,856	\$ 977,126
Dividend payable January 26, 1966 (January 29, 1965)	716,250	594,000
Taxes payable	635,210	687,979
Current portion of purchase contract	75,000	75,000
Total current liabilities	3,471,094	2,334,105
6% purchase contract due in equal annual instalments to June 30, 1969 less current portion	225,000	300,000
Accumulated tax reductions applicable to future years	5,560,000	4,490,000
Capital and surplus:		
Capital (note 2) —		
Authorized: 5,000,000 shares without nominal or par value		
Issued: 4,775,000 shares	18,208,745	8,468,745
Earned surplus	10,080,839	9,141,117
	28,289,584	17,609,862

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — DECEMBER 31, 1965

- At December 31, 1965 the company was committed to:
 - Purchase mine plant and automotive equipment at a net cost of approximately:

Cassiar mine	\$275,000
Clinton mine	850,000
 - Complete construction of roads and a bridge to the Clinton mine at a cost to the company of \$200,000.
- Supplementary letters patent dated April 22, 1965 increased the authorized share capital of the company from 4,000,000 shares without nominal or par value to 5,000,000 shares without nominal or par value by the creation of 1,000,000 shares without nominal or par value. During the year the company issued 815,000 shares for cash consideration amounting to \$9,740,000, of which \$9,300,000 was designated for the development of the Clinton Creek property. At the year end the company held deposits, short term and other investments having an aggregate value of \$8,165,000 representing the unexpended portion of these funds.

On behalf of the Board:

J. D. CHRISTIAN, Director.

C. R. ELLIOTT, Director.

\$37,545,678

\$24,733,967

Clarkson, Gordon & Co.

Chartered Accountants

15 Wellington Street West, Toronto 1, Canada

Halifax Quebec Montreal Ottawa
Toronto Hamilton Kitchener London Windsor
Winnipeg Regina Calgary Edmonton Vancouver

Arthur Young, Clarkson, Gordon & Co.
United States—Brazil

Telephone 368-2751 (Area Code 416)

AUDITORS' REPORT

To the Shareholders of
Cassiar Asbestos Corporation Limited:

We have examined the consolidated balance sheet of Cassiar Asbestos Corporation Limited and its subsidiary as at December 31, 1965 and the statements of consolidated operations and earned surplus for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet and statements of consolidated operations and earned surplus present fairly the financial position of the companies as at December 31, 1965 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
March 2, 1966.

Clarkson, Gordon & Co.

Chartered Accountants

Cassiar Asbestos Corporation Limited

Management and Operating Personnel

GENERAL OFFICERS

Chairman of the Board	-	-	-	-	-	-	-	F. M. CONNELL, O.B.E., LL.D.
President and General Manager	-	-	-	-	-	-	-	J. D. CHRISTIAN, C.B.E., B.A.Sc.
Vice-President and Secretary-Treasurer	-	-	-	-	-	-	-	C. R. ELLIOTT, C.A.
Manager of Operations	-	-	-	-	-	-	-	J. G. BERRY, B.Sc.
Consulting Engineer	-	-	-	-	-	-	-	T. T. TIGERT, B.A.Sc.
Assistant Secretary	-	-	-	-	-	-	-	J. R. SCRIMGER
Assistant Treasurer	-	-	-	-	-	-	-	M. G. MAZURKEWICH

OPERATING DIVISIONS

CASSIAR MINE, Cassiar, B.C.

General Superintendent	-	-	-	-	-	-	-	A. C. BEGUIN, B.A.Sc.
Assistant to Manager of Operations	-	-	-	-	-	-	-	A. C. CARON
Mine — Superintendent	-	-	-	-	-	-	-	J. R. MURDOCH, B.Sc.
Equipment Superintendent	-	-	-	-	-	-	-	G. EDWARDS
Mill — Superintendent	-	-	-	-	-	-	-	D. C. COOK, B.Sc.
Assistant Superintendent	-	-	-	-	-	-	-	B. H. DONNER
Plant — Superintendent	-	-	-	-	-	-	-	C. E. BRONSON, B.Sc.
Mechanical Superintendent	-	-	-	-	-	-	-	R. PASIAUD
Electrical Superintendent	-	-	-	-	-	-	-	A. POWELL
Surface Superintendent	-	-	-	-	-	-	-	G. KAMLAH
Chief Engineer	-	-	-	-	-	-	-	G. TROWSDALE, B.A.Sc.
Chief Geologist	-	-	-	-	-	-	-	W. N. PLUMB, B.A.Sc.
Office and Warehouse —								
Mine Accountant	-	-	-	-	-	-	-	J. H. THORNICROFT
Purchasing	-	-	-	-	-	-	-	R. R. STEVENS

CLINTON MINE, Yukon Territory

General Superintendent	-	-	-	-	-	-	-	F. P. HODGSON, B.Sc.
Mine Superintendent	-	-	-	-	-	-	-	H. A. WOODY

TRANSPORT DIVISION, Whitehorse, Y.T.

General Superintendent	-	-	-	-	-	-	-	E. K. McARTHUR
Operations and Maintenance Superintendent	-	-	-	-	-	-	-	W. G. WHITEHOUSE
Accountant	-	-	-	-	-	-	-	K. J. MULLOY

ASBESTOS WHARF, North Vancouver, B.C.

Office Manager	-	-	-	-	-	-	-	J. T. WARD
Superintendent — Asbestos Wharf	-	-	-	-	-	-	-	S. M. MANNING, P.Eng.
Purchasing Agent	-	-	-	-	-	-	-	K. B. SCRIMGER

CASSIAR ASBESTOS CORPORATION LIMITED — TEN YEAR REVIEW

	Years Ended		
	1956*	1957*	1958
Ore mined (tons)	356,334	405,615	384,231
Ore and concentrate milled (tons)	258,056	382,186	389,231
Fibre produced (tons)	19,977	28,791	32,271
Waste removed (tons)	406,118	688,117	1,351,651
Sales	\$ 6,854,319	\$ 8,314,620	\$ 8,762,641
Profit before deducting the following	\$ 2,858,294	\$ 3,535,188	\$ 4,463,421
Depreciation	\$ 719,887	\$ 862,419	\$ 960,981
Exploration and development written off	203,319	218,508	262,971
Net earnings before taxes	\$ 1,935,088	\$ 2,454,261	\$ 3,239,471
Provision for current taxes	—	62,000	313,000
Provision for deferred taxes	—	8,000	29,000
Net earnings	\$ 1,935,088	\$ 2,384,261	\$ 2,897,471
Net earnings per share	51¢	63¢	76¢
Dividend declared per share	—	—	20¢
CAPITAL EXPENDITURES:			
Land, Plant and Equipment — Cassiar	\$ 1,259,432	\$ 1,672,665	\$ 867,951
— Clinton	—	—	—
Mine development — Cassiar	390,255	545,635	817,081
— Clinton	—	—	—
Outside exploration	—	229,398	315,281
BALANCE SHEET AT END OF FISCAL PERIOD:			
Net working capital	\$ 2,055,450	\$ 2,304,595	\$ 3,938,321
Funds for Clinton Mine development	—	—	—
Territorial Supply Company Limited	125,000	175,000	275,000
Plant and Equipment	8,601,645	10,274,310	11,142,261
Mining Claims and Properties	245,375	475,391	797,651
Deferred development	641,412	950,494	1,518,431
Total	\$11,668,882	\$14,179,790	\$17,671,681
Deduct — Purchase contract payable	—	—	—
— Deferred taxes	—	8,000	37,000
— Accumulated depreciation	1,486,547	2,247,228	3,145,611
Capital and surplus	\$10,182,335	\$11,924,562	\$14,489,061
Shares of capital stock issued at end of period	3,800,000	3,800,000	3,800,000

NOTE: * The years 1957 and prior have been adjusted to reflect the fibre inventory valuation basis used in 1958 and subsequent years.

Number 30	15 Months Oct. 1, 1960 to Dec. 31, 1961		Years Ended December 31			
	1960	1961	1962	1963	1964	1965
1959	1960	1961	1962	1963	1964	1965
359,914	471,561	674,791	720,416	756,574	705,205	743,765
344,233	457,379	581,835	569,571	588,733	587,908	613,404
32,277	38,838	56,556	57,568	62,214	66,897	85,432
339,249	1,949,282	2,550,035	2,357,623	2,824,197	3,464,705	4,542,457
521,376	\$10,365,953	\$14,593,795	\$12,665,656	\$13,882,535	\$14,466,691	\$17,526,197
607,789	\$ 5,313,166	\$ 6,934,758	\$ 6,179,710	\$ 6,682,009	\$ 7,336,746	\$ 8,498,620
923,508	\$ 979,112	\$ 1,307,529	\$ 1,091,772	\$ 1,054,740	\$ 1,093,058	\$ 1,134,471
440,702	535,468	1,067,076	1,038,733	1,427,461	1,265,226	1,295,677
243,579	\$ 3,798,586	\$ 4,560,153	\$ 4,049,205	\$ 4,199,808	\$ 4,978,462	\$ 6,068,472
12,000	385,000	600,000	950,000	950,000	1,185,000	1,310,000
188,000	1,060,000	1,130,000	650,000	660,000	765,000	1,070,000
043,579	\$ 2,353,586	\$ 2,830,153	\$ 2,449,205	\$ 2,589,808	\$ 3,028,462	\$ 3,688,472
77¢	59¢	71¢	62¢	65¢	76½¢	77¢
50¢	60¢	75¢	60¢	60¢	60¢	60¢
608,230	\$ 1,473,876	\$ 1,359,994	\$ 518,235	\$ 1,391,630	\$ 1,962,105	\$ 2,292,418
—	—	—	—	—	—	514,670
779,358	1,245,868	2,288,921	2,007,698	2,442,363	2,259,102	2,715,778
—	—	—	—	117,858	305,250	737,708
502,774	230,449	270,623	29,593	40,840	25,348	21,656
931,576	\$ 4,570,513	\$ 4,213,321	\$ 4,512,588	\$ 3,898,855	\$ 3,497,143	\$ 3,272,348
—	—	—	—	—	—	8,164,813
350,000	350,000	275,000	275,000	275,000	225,000	175,000
439,478	12,432,854	13,337,576	13,606,270	14,615,849	15,827,789	18,115,007
153,477	2,318,961	2,423,168	2,371,505	2,308,596	2,590,712	2,599,956
004,105	2,808,678	4,196,939	5,133,445	6,371,453	7,693,810	9,864,030
878,636	\$22,481,006	\$24,446,004	\$25,898,808	\$27,469,753	\$29,834,454	\$42,191,154
—	—	—	—	—	300,000	225,000
225,000	1,285,000	2,415,000	3,065,000	3,725,000	4,490,000	5,560,000
820,988	4,385,772	5,360,617	6,090,216	6,787,353	7,434,592	8,116,570
832,648	\$16,810,234	\$16,670,387	\$16,743,592	\$16,957,400	\$17,609,862	\$28,289,584
960,000	3,960,000	3,960,000	3,960,000	3,960,000	3,960,000	4,775,000

